# UNITED STATES OF AMERICA BEFORE THE NATIONAL LABOR RELATIONS BOARD DIVISION OF JUDGES

DAYCON PRODUCTS COMPANY, INC.

and

Case 5-CA-35043

DRIVERS, CHAUFFEURS AND HELPERS LOCAL UNION NO. 639 A/W INTERNATIONAL BROTHERHOOD OF TEAMSTERS

Shelly C. Skinner, Esq. and Paula S. Sawyer, Esq., of Washington, DC, for the General Counsel.

Eugene K. Ahn, Esq., of Washington, DC, for the Charging Party-Union.

Mark M. Trapp, Esq. and Paul Rosenberg, Esq., of Washington, DC, for the Respondent-Employer.

## **DECISION**

#### Statement of the Case

Bruce D. Rosenstein, Administrative Law Judge. This case was tried before me on November 9 and 10, 2009, in Washington, DC, pursuant to a Complaint and Notice of Hearing (the complaint) issued on August 31, by the Regional Director for Region 5 of the National Labor Relations Board (the Board). The complaint, based upon a charge filed on June 4, by Drivers, Chauffeurs and Helpers Local Union No. 639 a/w International Brotherhood of Teamsters (the Charging Party or Union), alleges that Daycon Products Company, Inc. (the Respondent or Employer), has engaged in certain violations of Section 8(a)(1) and (5) of the National Labor Relations Act (the Act). The Respondent filed a timely answer to the complaint denying that it had committed any violations of the Act.

## Issues

The complaint alleges that the Respondent violated Section 8(a)(1) of the Act by threatening employees that if the Union did not accept the Company's settlement of the wage dispute on the Company's terms, the Company would seek repayment from employees of the past overpayments. The complaint further alleges that the Respondent violated Section 8(a)(1)

<sup>&</sup>lt;sup>1</sup> All dates are in 2009 unless otherwise indicated.

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and (5) of the Act by implementing its decision to reduce the wages of certain employees without first bargaining with the Union to a good-faith impasse and without the Union's consent, and bypassing the Union and dealing directly with its employees in the Unit by discussing the reduced wage rate with them.

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On the entire record<sup>2</sup>, including my observation of the demeanor of the witnesses, and after considering the briefs filed by the General Counsel, Charging Party and the Respondent, I make the following

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## Findings of Fact

#### I. Jurisdiction

The Respondent is a corporation engaged in the manufacture and distribution of janitorial, maintenance, and hardware supplies, with its principal office and place of business located in Upper Marlboro, Maryland. Respondent in conducting its business operations derived gross revenues in excess of \$500,000 and sold and shipped from its Upper Marlboro, Maryland facility goods valued in excess of \$50,000 directly to points outside the State of Maryland. The Respondent admits and I find that it is an employer engaged in commerce within the meaning of Section 2(2), (6), and (7) of the Act and that the Union is a labor organization within the meaning of Section 2(5) of the Act.

## II. Alleged Unfair Labor Practices

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## A. Background

At all material times, the Union has been the designated exclusive collective-bargaining representative of the Unit. This recognition has been embodied in successive collective-bargaining agreements, the most recent of which is effective by its terms from March 3, 2007 to January 31, 2010.<sup>3</sup>

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At all material times, John Poole held the position of Respondent's President and Jodie Kendall serves as the Human Resources Director. Douglas Webber holds the position of Business Agent for the Union while Eugene Brown serves as the Union Steward. Webber is the principal point of contact for the Union and acted as its chief negotiator in the negotiations for the current collective-bargaining agreement.

## B. The 8(a)(1) and (5) Allegations

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The General Counsel alleges in paragraph 8 of the complaint that in or around March

<sup>&</sup>lt;sup>2</sup> After the opening of the hearing on November 9, the undersigned approved a Consent Order (informal board settlement agreement with the posting of a notice) that fully remedies the allegations in paragraph 7 of the complaint (alleged threat to employees) and paragraph 9 of the complaint (bypass of the Union) over the objections of the General Counsel and the Charging Party (TR7-14 and ALJ Exh.1). Accordingly, this decision will only address the allegations alleged in paragraph 8 of the complaint that involves the reduction of wages for certain employees.

<sup>&</sup>lt;sup>3</sup> Prior collective-bargaining agreements between the parties were in effect from January 16, 2004 to January 31, 2007 (GC Exh. 3) and from January 1, 2001 to December 31, 2003 (GC Exh. 7).

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2009, the Respondent orally notified the Union of its decision to reduce the wages of certain employees. On or about April 17, by letter, the Respondent again notified the Union of its decision to reduce the wages of certain employees and on or about May 22, the Respondent implemented its decision to reduce the wages of certain employees without first bargaining with the Union to a good-faith impasse and without the Union's consent.

## **Facts**

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In January 2009, employee Erin Baker contacted Union Steward Brown to complain about being underpaid by a dollar. Brown brought the matter to the attention of Kendall who after looking into the matter, and determining that Baker had not been underpaid because he did not have all of his driver certifications, decided to review the wage rate history of all bargaining unit employees to discern if there were any other wage issues in dispute. Kendall, between January and early February 2009, conducted an exhaustive review of the entire bargaining unit wage history and uncovered information that showed that eight bargaining unit employees had been overpaid since 2004 based on the contractual wage rates that had been negotiated by the parties. Kendall attributed this factor to an inadvertent clerical error when the eight employees had mistakenly been given Union catch-up raises during the period of the then existing 2004-2007 collective-bargaining agreement even though that agreement did not provide for such raises. Kendall estimated that the total overpayments for the eight employees amounted to approximately \$80,000.4

On February 2, Kendall met with Poole to discuss her findings and to seek his input on how the Employer should proceed. They met on at least four or five occasions between February and May 2009 to review the analysis that Kendall had prepared and to address the anticipated impact on the eight employees if repayments were sought (R Exh.10).

Kendall, on March 5, during a telephone conversation with Webber informed him of the overpayments for the eight employees and promised to get back with him once the Respondent determined how to proceed.

On April 14, Kendall had a meeting with Webber and Brown wherein she explained the methodology regarding the calculations and offered to show the union representatives step by step on how she arrived at the overpayment figures. According to Kendall, Webber declined the opportunity to review the analysis. Webber, however, denies that this occurred.<sup>5</sup>

By letter dated April 16, Kendall informed the Union that the Respondent has recently reviewed the collective-bargaining agreement and has confirmed that eight bargaining unit employees (named in the letter) have received above the minimum agreed to hourly wage due to a clerical error. Unfortunately, this means that the employees were paid above other employees of greater seniority. In order to bring each of the employees to the correct wage rate, the Respondent will permit the employees to divide the total overpayment amount over the

<sup>&</sup>lt;sup>4</sup> The eight employees and their overpayment amounts were Gerald Jackson (\$5,119.15), Steven Walker (\$5,890.47, Alvin Phoenix (\$224.34), Hasmon Abraham (\$9,809.96), Derrall Bridges (\$12,333.97), Robert Redmond (\$7,493.22), Trevor Holder (\$18,729.58), and Lynette Burton (\$22,760.11).

<sup>&</sup>lt;sup>5</sup> I am convinced that Kendall did offer Webber the opportunity to review her calculations during the meeting based on my evaluation of the testimony from both individuals. Kendall was far more precise with her recollection of events and her notes taken on that date confirm her testimony (R Exh. 3).

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next six (6) months, starting with the check paid on May 8, ending on October 9 (GC Exh. 8).6

On April 17, Respondent's Attorney Jay Krupin and Kendall met with Webber and Brown to discuss the April 16 letter. During the course of the meeting, Webber informed both Krupin and Kendall that the reduction of any employee's wages was a violation of their current collective-bargaining agreement.

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By letter dated April 23 from Webber to Krupin, the Union informed the Employer that it would not entertain any agreement to reduce the negotiated wage rates for bargaining unit members. The letter further states that the Union would do everything possible under the law to challenge any action that the company takes to reduce the agreed upon wage rates or to recover the supposedly erroneous payments and would consider it a breach of our agreement and an unfair labor practice under the National Labor Relations Act (GC Exh. 9).

On April 25, the Union held a meeting with bargaining unit members to inform them of the ongoing issue regarding the anticipated reduction of wages for eight bargaining unit employees and to discuss the taking of a strike vote (GC Exh. 10).

By letter dated May 1, from Krupin to Webber, the Respondent acknowledged receipt of the Union's April 23 letter. In pertinent part the letter states that the Employer is neither attempting to deduct money from the bargaining unit's wages, nor is it seeking to renegotiate the wage rates set forth in the current collective-bargaining agreement between the parties. Rather, the Respondent wants to correct an obvious clerical error made by its payroll department. This error, which unfortunately went unnoticed by either party for an extended period of time, has translated into bargaining unit members receiving in excess of \$82,000 over and above what they should have been paid according to our agreement. The letter additionally states that in the spirit of good faith and cooperation, the Employer has determined not to recoup the money that has already been paid. However, as discussed in our April 22 meeting, it is both unjust and contrary to the seniority principles memorialized in our agreement to continue paying a few individuals more than their senior counterparts. Furthermore, it would be fiscally irresponsible to not correct the problem prospectively. In order to lessen the impact on the impacted employees, the Employer will provide as it deems appropriate a bonus payment in accordance with our agreement (GC Exh. 11).

By fax dated May 20, Kendall sent Webber a breakdown of the corrected and current pay in addition to the bonus payments that bargaining unit employees would receive (GC Exh. 12). Upon receipt of this breakdown, Webber telephoned Kendall and informed her that the Union never agreed to a bonus or a roll back of wages and would do anything legal to enforce the terms of our collective-bargaining agreement.<sup>8</sup>

<sup>&</sup>lt;sup>6</sup> Individual letters were also sent to the eight employees impacted with a breakdown of the correct pay, current pay, and the difference between them.

<sup>&</sup>lt;sup>7</sup> Bonus payment checks minus appropriate taxes were provided to and cashed by five of the eight employees on May 22 (R Exh. 4(a) through 4(e). As it concerns the other three employees, no bonus payments were provided due to the Employer's determination that their overpayments were not excessive and the repayment would not be an undue burden for those employees.

<sup>&</sup>lt;sup>8</sup> The record confirms that Webber protested the reduction of the eight employee's wage rates and argued that it was a patent violation of the parties' collective-bargaining agreement, however, it is noted that the Union did not orally or in writing request to negotiate the reduction of wages.

Effective May 22, eight bargaining unit employees had their wages reduced.

## Discussion

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The General Counsel argues that an employer acts in derogation of its bargaining obligation under Section 8(d) of the Act and violates Section 8(a)(5), when without consent of the union, it modifies terms and conditions of employment contained in a contract between the employer and the union, or otherwise repudiates obligations under the contact before the terms of the contract has run its course even though the employer offers to bargain with the union on the subject and the union has refused. *C and S Industries Inc.*, 158 NLRB 454, 456-458 (1966). As stated in *Oak Cliff-Golman Baking Co.*, 202 NLRB 614, 616 (1973):

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The Respondent's unilateral change in wages which is a basic term or condition of employment manifestly constitutes a "modification" within the meaning of Section 8(d). Such action by the Respondent clearly being in derogation of its statutory obligation under Section 8(d) was therefore violative of Section 8(a)(5) of the Act.

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Thus, the General Counsel and the Charging Party argue that reducing the wages of the eight employees' on or about May 22 without bargaining to a good faith impasse and without the Union's consent, amounts to a clear repudiation of the parties' wage provisions set forth in their current collective-bargaining agreement, and therefore violates Section 8(a)(1) and (5) of the Act.

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The Respondent contends that the wage reductions were merely administrative adjustments which were made when it discovered that eight employees were being paid wages at a higher rate than that to which they were entitled under their respective classifications. *Dierks Forests, Inc.,* 148 NLRB 923 (1964). In this regard, the employees were inadvertently given catch-up raises during a period of time that the 2004-2007 collective-bargaining agreement did not provide for such raises. As a result, the eight employees wage rates became inflated and resulted in higher wages than those of employees with greater seniority.

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The Respondent further argues that union animus was not the reason for initiating the wage survey but rather was undertaken due to an inquiry of a bargaining unit employee claiming that he was being underpaid. Moreover, the Respondent asserts that it did everything possible to alleviate the economic onus on the bargaining unit by not recouping the overpayments from prior years and paying bonuses to five of the eight employees who were impacted the greatest by correcting the past overpayments.

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In agreement with the Respondent, I conclude that their actions restored the agreed upon wages to conform them to those previously negotiated by the parties. Therefore, I find that the Respondent did not engage in a mid-term modification of the parties' collective-bargaining agreement. This principle is also recognized by the General Counsel and the Charging Party, who cited the Board's holding in *Eagle Transport Corp.*, 338 NLRB 489, 490 (2002) for the proposition that an Employer's administrative error in a paycheck may be corrected without violating the Act. As in that case, the error in the subject case was corrected shortly after it was discovered.<sup>9</sup>

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<sup>&</sup>lt;sup>9</sup> The Charging Party's reliance on *Lexus of Concord, Inc.,* 330 NLRB 1409 (2000) and *Clark United Corp.,* 319 NLRB 328, 329 (1995) cited in their post-hearing brief are misplaced. Continued

The Board held in *Foster Transformer Company*, 212 NLRB 936 (1974), on facts similar to the subject case, that since the Respondent merely adjusted the wage rates of employees nothing in our law requires the perpetuation of such inequities merely because a respondent may have at some time in the distant past embarked upon a mistaken course. In our view, Respondent was clearly entitled to take the action it did in line with its uncontradicted policy of paying the applicable rate for the work performed and to correct an unwarranted departure from this policy.<sup>10</sup>

In summary, contrary to the General Counsel, I find that the correction of overpayments to employees that were incorrectly paid due to administrative errors requires no collective bargaining.

Accordingly, the General Counsel did not conclusively establish the allegations alleged in paragraph 8 of the complaint, and therefore, I find that the Respondent did not violate Section 8(a)(1) and (5) of the Act.

#### Conclusions of Law

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- 1. Respondent is an employer engaged in commerce within the meaning of Section 2(2), (6), and (7) of the Act.
- 2. The Union is a labor organization within the meaning of Section 2(5) of the Act.
- 3. The Respondent did not violate Section 8(a)(1) and (5) of the Act when it reduced the wages of eight bargaining unit employees who previously received overpayments in their wages due to an administrative error.

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On these findings of fact and conclusions of law and on the entire record, I issue the following recommended<sup>11</sup>

30 ORDER

The complaint is dismissed.

35 Dated, Washington, D.C. January 8, 2010

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Bruce D. Rosenstein Administrative Law Judge

Those cases present significantly different issues than those in the subject case.

<sup>&</sup>lt;sup>10</sup> As in *Foster Transformer Company*, the Employer in the subject case did not change the existing negotiated wage rates in the parties' collective-bargaining agreement.

<sup>&</sup>lt;sup>11</sup> If no exceptions are filed as provided by Sec. 102.46 of the Board's Rules and Regulations, the findings, conclusions, and recommended Order shall, as provided in Sec. 102.48 of the Rules, be adopted by the Board and all objections to them shall be deemed waived for all purposes.